



CITY OF RENTON

Mayor
Kathy Keolker

October 31, 2007

2008 Budget Message – Building for the Future

Citizens of Renton

Honorable members of the Renton City Council

It is a privilege to present to you my fourth budget.

Thanks to your support and input, my team and I have identified our priorities for 2008 and we are acting on our collective vision. I am proud of what we have accomplished and I am invigorated as we set the 2008 budget in motion.

Many tough decisions had to be made to arrive at a balanced budget that addressed our priorities without overburdening the taxpayers.

I want to start by thanking members of the Renton City Council for your cooperation throughout the year, and for your focus on our continuing efforts to revitalize Renton. As we have in the past, I pledge our full assistance and resources to answer any questions or provide any data they may need once they begin to deliberate on the proposed budget that is before them. I look forward to our discussions.

I want to thank our area's residents and employees for helping to make Renton the "5th Best Neighborhood" in the Puget Sound region, according to a recent Seattle magazine ranking. We are being noticed.

Over the years, I have been genuinely moved and touched by the community spirit of our citizens. I want to thank each and every one for their support and willingness to roll up their sleeves and give back to the community. There is unique passion in the soul of this city and a level of collaboration that is unprecedented. It is building and people are taking action.

"Building for the Future" is our budget message for this year. We enjoy a strong and rewarding history, and with this budget we are setting the stage for a significant renaissance in the future.

We take pride in Renton being "the center of opportunity in the Puget Sound region—where families and businesses thrive." This annual budget process allows us to keep that vision strong and to articulate our priorities for the upcoming year. It also offers a moment to imagine our future. A successful budget is not simply a balanced spreadsheet, but a roadmap for advancing our community's goals, aspirations, and dreams.

Council Policy Direction

Earlier this year, at our joint planning retreat, the Council said that we must remember to put our families and residents first, while continuing our tradition of economic growth and vitality. You stressed the importance of upholding the excellent levels of services we provide to our community while welcoming our neighbors if they choose to annex to our city. We also met with Council twice, before starting work on the budget, to seek input and guidance on any specific concerns that should be addressed by the 2008 budget.

With this proposed 2008 budget, you will see that we have worked hard to address these priorities and needs. This year's budget provides an opportunity to strengthen the foundation of our city, and to invest in the great promise of our people. As we imagine our future, I believe it must include a growing and sustainable economy. It must provide opportunity to all, and it must strengthen communities and improve our quality of life. Our city sits not only at the intersection of commerce and trade in the Puget Sound region, but also at the nexus of innovation, community building, and creative capital.

This budget complies with the recent amendments made to our financial policies by maintaining fund balances within target ranges and using excess fund balance to provide for one-time expenditures. We have also changed from a cash basis budget to Generally Accepted Accounting Principles (GAAP), to more accurately reflect the actual obligations being incurred by our citizens for the services this budget provides them.

I encourage you to refer to the pages 1 to 10 of the Budget Highlights section, which specifically reviews and responds to the topics addressed by Council within the budget.

Highlights of the 2008 Budget

This budget continues to build community for the future. While the budget highlights section provides a complete summary of the initiatives in this budget, let me mention some of the salient features.

The 2008 budget totals \$223,702,220. Of that total, \$63,351,567 represents our capital budgets for 2008, \$86,747,342 the General Government budget, and \$73,603,311 the budget for other operating funds.

Revenues from the General Government Fund continue to benefit from a strong economy and are estimated to be 16.6% over the amounts actually received in 2006.

I am also projecting that the ending balance of our 2007 General Government fund will be approximately \$1 million more than our policy target. This will position us well for 2008.

The 2008 budget anticipates sales tax revenues to grow by 7.6% over the 2007 budget.

The \$63,351,567 capital improvement budget includes significant improvements in transportation, parks, and other enhancements to facilities, and utilities. We are also planning

construction of a long overdue new parks maintenance facility. We are pleased to announce this will be funded entirely with the money we have been carefully setting aside for the past four years.

Though we continue to enjoy a vibrant economy and strong economic development in our city, like other cities we are facing increasing costs. The most significant impact to our mandatory costs was the change in retirement system contributions established by the State of Washington. The State has adjusted its funding and, as a result, our costs will increase by 15.44% in 2008, over and above the 70.6% increase we faced in 2007.

We are one of a few cities with an employee controlled health care plan that allows us to offer very affordable and comprehensive health benefits. As a result, the budgets for the cost of employee health insurance includes a rate increase of 10% for 2008, as negotiated with the city's employees.

With this budget, we are building for the future by focusing our resources on improving public safety, maintaining our basic services, investing in affordable housing, emphasizing economic development, and investing in our utility systems.

I am proposing eight new positions within General Government and 7.7 positions within our Utility Funds.

Accomplishments

Before addressing the specifics of the 2008 budget, let us first celebrate some of the things we have accomplished together recently.

Thanks to our strong economy, we continue to forge ahead. Renton's expected increase in total taxable retail sales is among the highest in the region and is at over 7% in 2007.

Renton has increased its housing stock since 2000 by almost 20%, an astounding increase in just seven years. New construction in the city has been between two and three times the regional average over the past three years. Employment in the city has grown by 6.5 percent since 2004. The city's population growth rate averaged 2.6 percent per year.

We have delivered on our goal to promote citywide economic development. We just opened the doors to Phase I of The Landing, a \$300 million, 46-acre urban village-style shopping center development at the south end of Lake Washington. We opened the Small Business Development Center to help strengthen Renton's economic vitality by providing assistance to individuals, small businesses, and other entrepreneurs at no charge. Next year, we also expect to celebrate the opening of a Harley-Davidson dealership and service center. At 40,000 square feet, it is expected to be the largest Harley dealership in the State and should yield several hundreds of thousands of dollars per year in new sales tax revenue to the city's general fund. From the Seahawks Headquarters and Training Facilities and the Federal Reserve Bank, to Providence Health & Services and Conner Homes, we keep attracting great businesses and continue to have a vibrant economy.

We also embarked on the largest list of road projects in our history. In just one year we completed the largest public works project in Renton's history to pave the way for The Landing. In cooperation with BNSF Railways, we completed railroad bridge removal work on three major railway bridges. We were able to complete this project ahead of schedule and therefore minimized the impacts to our residents and businesses. Construction has begun on over \$300 million in improvements to the I-405 and SR 167 corridors through Renton.

We continue to revitalize our parks and neighborhoods, which in turn strengthens our community. We completed and opened the new Heritage Park, added the new recreation building at Tiffany Park, and made significant improvements to the buildings at Teasdale Park and Kiwanis Park. By using recycled materials, solar heat and light, and other green features at Tiffany Park, we are paying special attention to our environmental responsibility and building for the future.

We started construction on the Springbrook Creek Wetland Mitigation Bank. One of the most innovative environmental efforts and the first of its kind in Washington, this project will enhance over 130 acres of wetlands in Renton, while providing an opportunity for continued economic development in the Valley.

We renewed our status as one of 66 agencies nationally to achieve national accreditation of our Community Services Department. We completed the Urban Forestry Inventory and Assessment Report for our public lands and are working on master plans for our libraries, museum, and bicycles and trails.

We celebrated in Renton this year. We had several great special events as our community came together to have a good time-from Free Outdoor Cinema in the Park, to the 4th of July celebration, to Renton River Days. Our special events had record participation this year.

We engaged our citizens and, in Community Services alone, by the end of this year we will have over 26,000 volunteer hours contributing the equivalent of over \$488,020 worth of services. We have achieved unprecedented success in our volunteer programs and our neighborhood outreach efforts.

We paid special attention to those in our community who need our help and assistance to meet their basic needs. For the first time, we participated in the regional "One Night Count" program to count the number of homeless in Renton. In addition, we endorsed King County's Ten-Year Plan to End Homelessness.

We added employees to emphasize public safety and maintain the high levels of public service that our citizens deserve and expect. We just launched 'VIDA' – Visitor Information and Downtown Assistance, a pilot program that will provide uniformed private security officers around the Renton Transit Center to make our downtown a better, safer, and friendlier place.

We saved lives through Renton Heart Month by educating citizens about heart attack risks and how to quickly and properly respond to warning signs. We hired an emergency management director to help us be better prepared as a city and as a community, and rolled out "Ready in

Renton,” a campaign encouraging individuals and households to test their disaster preparedness and plan for the future.

A City of nearly 80,000

As of today we are not yet certain of the outcome of the proposed Benson Hill Communities Annexation. If approved, the area will officially become part of the city on March 1, 2008. We have thoughtfully prepared a separate plan and recommended budget to address the challenges we would face to serve nearly 17,000 new residents. With this and future annexations, we must consider not only providing services to new residents, but how we will provide the same level of excellent service to a larger city.

Our annexation implementation plan for Benson Hill proposes to add 91 employees, along with related equipment and materials, for a total cost of \$10 million across all funds. The additional revenue generated by this area is estimated to be \$8.9 million (all funds). That tax base, plus the state sales tax credit that we worked hard to enact with the State, will help us pay for the difference for a period of ten years. This period gives us a chance to accommodate the city's growth. In addition, our continued partnership and joint efforts with King County will leverage \$1.7 million in one-time funding to further offset expected annexation costs. It is my hope that we will be welcoming these new Renton residents to our city in 2008. If that happens, we will maintain existing service levels to our current residents and provide the same level of excellent service to our new Benson Hill family.

As for initiatives outside of the annexation issue, we are laying the groundwork for the future by creatively focusing our resources on improving public safety, maintaining our basic services, investing in affordable housing, and emphasizing economic development.

Public Safety

We have taken an innovative approach to advancing public safety in our city. We are changing the service model and the structure of our Fire Department to reflect their broader role and to bring in efficiencies and an expanded range of services. The name of the department will change to “Fire and Emergency Services Department” to reflect our increasing emphasis on emergency preparedness and all hazard response. I am recommending that we add four employees to the department to allow us to better operate all of our emergency response equipment. Currently, if an emergency occurs, staff in three of our five fire stations responds by taking the fire engine or an aid car to the emergency. This leaves behind either the aid car or the fire engine without staff and without the ability to respond should another emergency occur. By redeploying existing personnel and adding the recommended four staff, we can respond with both the aid car and the engine, while improving our fire response staffing. This will also allow us to leverage additional funds the city will receive with a successful passage of the Medic 1 levy.

Our Police Department will receive the additional funds they need to pay the increasing costs of the emergency communications system (911). This budget also includes funds for two additional patrol cars and two sedans for the department. Since 2004 we have increased our police force by

11% and now need to make an investment in the existing fleet to give our officers the resources they need.

We are proposing another innovative approach to boost our public safety efforts. We will implement a program to train and employ police cadets who will perform routine tasks. By investing in this cadet program, less than half of what it would take to hire one police officer, we are able to free up officers to devote more time to addressing community needs while we train cadets to be the police officers of tomorrow. We have an officer in a leadership role in our police department who is a testament to the success of such cadet programs. He started his career as a police cadet and is now a Commander. We are building for the future.

Soon we will be implementing the Photo Enforcement program to deter motorists running red lights or driving too fast and make our streets and intersections safer. We are recommending an additional position within the Municipal Court to address the expected increase in activity resulting from this program. We are also recommending an increase in both the City Prosecutor's budget and the Public Defense budget to address increasing costs and continue to offer a high level of service to our citizens.

Affordable Housing

Our region is among the most expensive places to live in the nation. The lack of affordable housing isn't just a challenge—it is a crisis no longer limited to those with low income or those without jobs. Over the last five years the median price of a single-family home has increased by an astounding 65%. As it is today, my adult children and many others cannot afford to buy a home in our city. We have to act now to help our future generations, as well as the middle-income, working class, and senior citizens of Renton today, find quality housing right here in our community.

We are blessed in Renton to have our own Renton Housing Authority, which is doing admirable work to help those with the lowest-income in our community. But the agency's waiting lists are far too long. And, we need a housing strategy for the city to work with the Authority, as well as private and non-profit developers to create housing that is attainable and affordable for all segments of our community.

I am committed to making it more affordable to be a resident of Renton and am proposing the following four-point plan to begin addressing this critical issue.

Currently, the city is using federal Community Development Block Grant money to fund our Housing Repair Assistance Program (HRAP). This program has been very successful and helps low to moderate income homeowners in our city, many of them elderly on fixed incomes, keep their homes safe, healthy, and livable. This in turn improves the comfort and appearance of our neighborhoods. But, the program uses up nearly all of our annual CDBG allocation—leaving other potential projects and investments that actually create new housing capacity without funding. There are also strict federal guidelines on how this is used.

The first point of our plan proposes to move the funding for the HRAP to the general fund. That move will free up capacity in our federal CDBG allocation, about \$200,000, which will allow a broader range of projects and activities to be funded.

The second point will earmark those resources to establish a fund for affordable housing. This fund will serve as local match and seed money to facilitate projects that create new housing units that are attainable for people who are working, but are still not earning enough to afford housing in our city.

Third, I propose to set aside \$100,000 of one-time money to establish a Homebuyer Assistance Program. There are several models of successful programs like this around the region that focus on teachers and others who can't afford to live in the communities in which they serve. We will spend the next year developing the details of a program that will help people buy a first house. When these people sell their house, using their established equity to move up, they will repay the program, creating a revolving account that can help others who are just starting. While this is not enough money, it is a start. And, even if it helps a handful of people begin the process of building equity in a home that they own in the community in which they work, it will be money well spent.

Fourth, for several years now, we have successfully used a State-authorized tax exemption to promote construction of new multi-family housing. Hundreds of new units have been built in Renton through this program. This year, the law changed to allow an additional increment of tax exemption for projects that create affordable housing. We are already working on bringing forth legislation to take advantage of this expanded program. This change will have no direct budget impact on the city, but will help bridge the gap that currently prohibits private developers from build affordable housing on their own.

We will not have to do this alone. I am eager to work with the Renton Housing Authority, as well as the non-profit and private sectors throughout the region to find long-term solutions to this growing problem. But, there remains a lot that can be done here at home and I look forward to discussing these important initiatives with you in coming years. Locally, King County Housing Authority is already testing innovative programs to help people create equity for future home ownership. We would like to further explore similar options for Renton.

Economic Development

We successfully opened the Small Business Development Center earlier this year. We have made a three-year commitment to fund our share of this partnership and this budget includes the \$25,000 we committed to.

We are including funds to provide staffing for special events in our downtown. As The Landing opens this year, we have made a commitment to support and maintain a vibrant downtown. Many of the special events occurring there now rely on volunteers. We applaud those who have stepped in and organized such events as the weekly Farmers Market. Now we want to do our part and ensure the long-term viability of the Farmers Market. The funding proposed in this budget will be matched by the Market itself, and with it we will hire a part-time employee who

will act as "Business Manager" for the Market. The Market's success is due to its volunteers. But, this hardy and dedicated group needs to be supported by ongoing staff resources, which will add continuity to our tremendously successful Farmers Market and ensure its presence in our downtown for many years to come. We are also adding to our budget for the maintenance of the additional landscaping in the city's right-of-way.

Basic Services

To maintain our streets, once again I'm recommending the addition of a maintenance worker in our public works department. As you recall, we added a similar position last year. This will help ensure we are able to maintain our high standards of safety for our roads and streets.

To meet the demands of our increasingly popular recreation programs and to continue to provide excellent customer service, we are adding an administrative position for the Community Center. This position will help with registrations, coordination, cash management, and other essential tasks.

2008 will see a significant transition in our Human Resources Department. For the past nine years, we have benefited from the leadership and experience of Mike Webby, who will retire in early 2008. The contracts with our unions will expire at the end of 2008 and we anticipate hiring many new employees during the year. As a result, we have included \$60,000 to assist with negotiations and recruitment.

The budget also implements the Information Technology Strategic Plan. In 2008 we will convert to a Microsoft platform to enable better collaboration within the city and with others. We will also begin efforts to consolidate the GIS function using existing resources. The budget funds the completion of the maintenance scheduling and tracking systems.

Utilities

In our utility systems, we are recommending hiring four additional staff, including two maintenance workers, an engineering technician, and an industrial instrument technician to maintain our systems in good condition.

As Council is aware, in early 2007 we conducted a comprehensive rate review of our utilities. Earlier this year, Council adopted a modest increase in our utility rates to pay for maintenance and needed capital improvements.

As a local government, we often receive federal mandates that we are required to comply with and find funding for. I applaud our Councilmembers who made the tough decision to adopt a rate increase so that our surface water utility can comply with the National Pollutant Discharge Elimination System (NPDES) permit requirements. This budget also implements the compliance requirements of the NPDES permit, which involves hiring 3.7 employees and changing numerous practices in our surface water utility to protect our environment.

Renton Results

Earlier this year, we presented to you “Renton Results,” a new community accountability effort that we are introducing with this budget, patterned after the popular “Priorities of Government” system. Our program defines the core services that the city provides to meet the needs of the community. It describes the city’s programs and services and provides the purpose and intended result of each of these. We have included indicators that the Council and citizens can use to assess levels of service for each program. We intend to use this framework to engage our community and determine priorities and appropriate funding strategies. I want to thank the city’s leadership team for their hard work in developing this unique program.

Conclusion

This is the fourth budget I’ve developed and we have made tremendous progress over the past four years. I want to thank the staff of this city whose work results in excellent services for our citizens. A special thanks to the city’s administrators who, through a collaborative process, established priorities, not just for their respective departments, but for our city and community. I want to thank the community for continuing to offer ideas about how to make Renton even better. I know it will be another successful year of accomplishments as we work together to implement all the ideas this budget represents. I’m very proud of the work we do and the community we get to live in.

Safe neighborhoods and streets, job opportunities and a strong economy, and sound fiscal management are the principal foundations of our continued prosperity. They are also the legacies we will leave to our children. Join me not only in imagining, but building this great future together.

Mayor Kathy Keolker